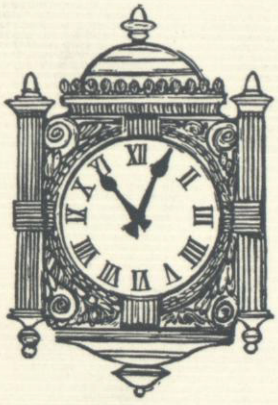
CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE



ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

THIRTEEN MONTHS ENDED JANUARY 31, 1955

BOARDS
q658.27
M368r

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

general offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1954

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

BOARD OF DIRECTORS

JOHN M. BUDD
ALBERT B. DICK, JR.*
MARSHALL FIELD, JR.
STANLEY FIELD
CHARLES Y. FREEMAN
HENRY P. ISHAM
WILLIAM V. KAHLER
HUGHSTON M. McBAIN
HAROLD J. NUTTING
JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

CORPORATE OFFICERS

HUGHSTON M. McBAIN, *Chairman*

JAMES L. PALMER, *President*

HAROLD J. NUTTING
Executive Vice President

PAUL M. HAMMAKER
Senior Vice President

JOHN D. ANDERSEN
Vice President and Comptroller

RALPH E. BOWERS
Vice President and Secretary

GERALD A. SIVAGE
Vice President and Treasurer

WILLIAM S. STREET
Executive Vice President

JEAN L. SCHUREMAN
Senior Vice President

GEORGE G. RINDER
Assistant Comptroller

ARTHUR JACKSON
Assistant Secretary

CHARLES M. RHODES
Assistant Treasurer

*(*Deceased)*

VICE PRESIDENTS

PUBLIC RELATIONS AND DEVELOPMENT DIVISION

EARL KRIBBEN
Civic Affairs

LAWRENCE B. SIZER
Public Relations

JOHN McKINLAY, JR.
New Stores

CHICAGO STORES DIVISION

GARRET L. BERGEN
Assistant to the General Manager

DONALD K. KEITH
Suburban Development Division

DAVID W. DAVIDSON
Assistant General Merchandise Manager

JOHN T. MOSS
Design Division

HAROLD V. GLEN
Sales Promotion Division

HARRY D. PERKINS
Merchandising Division

CLARENCE T. GREGG
Merchandising Division

WILLIAM C. STETSON
Merchandising Division

FREDERICK & NELSON DIVISION

CORNELIUS J. BYRNE
Assistant General Manager and General Merchandise Manager

MYRON C. LAW
Operating and Personnel Divisions

THE STORY IN BRIEF

(in thousands of dollars)

	Thirteen Months Ended January 31, 1955	Calendar Year 1953
Net Sales	$206,300	$218,000
Income before Federal Taxes	13,200	12,400
Federal Taxes on Income	6,600	6,300
Net Income	6,500	6,100
Federal Taxes per Common Share	3.42	3.25
Net Income per Common Share	3.01	2.80
Dividends Declared per Common Share	2.00	2.00
Current Net Income Retained in the Business	1,800	1,500
Cash and Securities	41,100	34,400
Accounts Receivable	21,300	28,100
Merchandise Inventories	27,900	28,300
Merchandise on Order	8,300	7,600
Current Assets	91,800	92,600
Current Liabilities	21,900	23,500
Net Working Capital	69,900	69,100
Ratio of Current Assets to Current Liabilities	4.2	3.9
Fixed Assets	52,800	51,700
Expenditures for Plant and Equipment	4,300	3,300
Depreciation	3,100	3,300
Long-term Debt	30,000	30,000
Amount Paid in for Capital Stock	41,000	41,000
Earned Surplus	51,600	49,800
Book Value per Common Share	39.96	39.01
Number of Shareholders	15,908	15,787

MARSHALL FIELD & COMPANY

TO THE SHAREHOLDERS

The Board of Directors submits this annual report for the thirteen months ending January 31, 1955.

Because your Company in 1954 changed its annual accounting period from the calendar year to a fiscal year ending January 31, this report covers the thirteen-month period between January 1, 1954 and January 31, 1955 in comparison with the calendar year 1953. Thus the data for the two operating periods are not directly comparable.

Your Company's net income for the thirteen months between January 1, 1954 and January 31, 1955 was $6,534,000. For the calendar year 1953 net income was $6,072,000. Earnings exceeded those of the corresponding periods a year ago both in the calendar year 1954 and in the month of January, 1955.

Operating results for the Company are summarized in the following table:

	1954 (13 months)	1953
NET SALES	$206,309,000	$217,960,000
Wages, salaries and employe benefit costs	51,355,000	59,374,000
Cost of merchandise and miscellaneous expenses	141,139,000	145,236,000
Net interest expense	637,000	955,000
Federal income taxes	6,644,000	6,323,000
NET INCOME	6,534,000	6,072,000
NET INCOME PER COMMON SHARE	$3.01	$2.80

The quarterly dividend rate of fifty cents per Common Share was maintained during the fiscal period, as it has been for the past seven years.

In 1954 we discontinued the practice followed since 1946 of increasing or decreasing our inventory reserve by an amount approximating the effect of price increases or decreases upon our inventory valuation, and charging or crediting these amounts to current earnings in determining net income. This does not impair the comparability of our 1954 and 1953 operating data, however, because in 1953 no adjustment was made, due to the fact that prices remained stable during that year. With the discontinuance of the practice of adjusting our inventory reserve each year-end we have transferred the $3,600,000 balance in that reserve to earned surplus.

Total net sales of the Company in the thirteen months ending January 31, 1955 were $206,309,000 compared with $217,960,000 in the calendar year 1953. Sales in the calendar year 1954 were $191,730,000. The decline of $26,230,000 for the calendar year was more than accounted for by the loss of sales volume resulting from the sale of the Fieldcrest Mills division of the Company on October 1, 1953.

The income of the Company in the thirteen months ending January 31, 1955 before interest and taxes was $13,815,000 compared with $13,350,000 for the calendar year 1953. Our Fieldcrest Mills division had earnings before interest and taxes of $766,000 in the first nine months of 1953. The improvement in the earnings of our retail stores for the thirteen months exceeded this amount.

Sales in our Chicago stores in the calendar year 1954 were practically identical with those of 1953. Earnings before interest and taxes for the thirteen months were slightly higher than the 1953 level.

The favorable sales trend which has prevailed in our Frederick & Nelson stores in Seattle since we modernized and enlarged the main store in 1952 continued throughout 1954. Earnings before interest and taxes for the thirteen months were substantially higher than in 1953, due to higher sales as well as improved gross profit ratios and effective expense control.

While the Company's balance sheets as of January 31, 1955 and December 31, 1953 indicate substantial changes in certain asset and liability accounts, these are due largely to the difference in the balance sheet month-end dates. No significant changes are evident when comparisons are made as of the same dates last year.

Your Company's annual rent obligation under long-term leases on properties now in operation is approximately $350,000, considerably lower than customarily found in large department store organizations.

Our total merchandise on hand and on order on January 31, 1955 was $36,200,000, approximately the same as on the corresponding date in 1954.

Payments toward the 1954 cost of our Retirement Program were $2,000,000. On January 31, 1955 the value of assets in our Pension Trust was $26,800,000.

The Company's capital expenditures for expansion and for improvement of buildings and equipment totaled $4,300,000 in the thirteen months ending January 31, 1955 compared with $3,300,000 in the calendar year 1953. Of this total $3,500,000 was spent on existing properties and $800,000 on projects involved in our retail expansion program.

The largest single item among our expenditures on existing properties was for air conditioning. Our program, adopted ten years ago, to air condition all

selling areas in our main Chicago store and the Store for Men will be completed this spring. We are gratified with this accomplishment and feel that it will be helpful to our business.

We are also pleased to be able to report the completion of a program started several years ago of moving and modernizing numerous selling sections in our main Chicago store. Our women's apparel division, intimate apparel sections and several of our house furnishings sections have been greatly improved by this program. It has produced more attractive facilities and much greater convenience in shopping for our customers.

The principal capital outlay in our Frederick & Nelson organization in Seattle last year involved the purchase of a plot of land directly across the street from our main store which, together with several parcels previously acquired, comprises practically a city block. We have leased this property to a tenant who is now constructing a modern multi-level parking facility with a daily capacity of about 2,400 automobiles. This project will be completed this autumn.

Your Company previously has announced plans to open new stores in Park Forest and Skokie, Illinois, suburbs of Chicago; and in Wauwatosa, Wisconsin, a suburb of Milwaukee.

The Park Forest store is nearing completion and is expected to be in operation late this month.

Since the date of our last annual report we have modified our plans with respect to the construction of the Old Orchard shopping center in Skokie. The center as a whole will be developed in substantially the size and character originally conceived by us. Our own store will be built and financed by us, but the balance of the center will be built, owned and operated by Old Orchard Business District, Inc., a company in which we have no direct ownership interest.

We expect to break ground for our own store, which will be nearly three times the size of our Evanston store, in the spring of 1955, and completion is scheduled in 1956. Our architects are now completing working drawings. Plans are under way for the balance of the center, and Old Orchard Business District, Inc., is currently negotiating leases with a number of important tenants. Construction of the balance of the center is expected to go forward simultaneously with that of our own store.

Plans for our store in the Mayfair shopping center in Wauwatosa, Wisconsin, are progressing satisfactorily. This store will be leased by us. We now expect it to be in operation in 1957.

In 1946 our Frederick & Nelson division opened a small branch store in Bellevue, Washington, a suburb of Seattle. This store, together with the community it serves, has grown very rapidly. We therefore recently leased

eight acres of land on a long-term basis in Bellevue Square and are drawing plans for a new store 100,000 square feet in size, about five times as large as our present Bellevue store which it will replace. This new store will be constructed and financed by us, and is scheduled for completion in 1956.

The cash position of your Company is fully adequate to meet the contemplated capital requirements in connection with all the above-described new stores.

We record with deep personal sorrow the death on October 24, 1954 of Mr. Albert B. Dick, Jr., who served as a member of your Board of Directors for more than fourteen years. He was a loyal and valued associate of integrity and sincerity of purpose, and was esteemed by all who knew him for his high character, his kindliness, his fine sense of humor, his mature judgment and the warmth of his personality. Mr. Kent Chandler will be nominated at the annual meeting of the shareholders on April 27 to fill this vacancy on the Board of Directors.

One of the chief assets of a business such as ours is its employes. In our stores very little can be delegated to machines. What is done, by and large, must be done by people. Human relations determine our success, and we are fortunate in having a seasoned staff that is loyal, experienced, courteous and capable. We know we can count on them in the future as in the past.

There are factors present which we believe justify moderate optimism about the days ahead for your Company. Both the Chicago and Seattle areas are experiencing a vigorous population growth, with high levels of new home building that may well outdistance the national average. Both places have attracted important new private industries and continue as centers for immense military production. Prospects are good for aggressive retailers in these communities. Assuming no new and unfavorable developments beyond our control, we expect 1955 to be another good year.

By Order of the Board of Directors,

Chairman

President

March 17, 1955

MARSHALL FIELD & COMPANY

INCOME STATEMENT

	Thirteen Months Ended January 31, 1955	Calendar Year 1953
NET SALES	$206,308,873	$217,959,665
DEDUCT:		
Materials and services purchased from others	$135,401,915	$139,374,848
Wages, salaries and employe benefit costs	51,355,365	59,373,682
Provision for depreciation and amortization	3,133,547	3,321,581
Taxes, other than social security and Federal income taxes	2,603,162	2,539,169
Net interest expense	637,107	955,007
Federal income taxes	6,644,000	6,323,000
	$199,775,096	$211,887,287
NET INCOME FOR THE PERIOD	$ 6,533,777	$ 6,072,378

EARNED SURPLUS

BALANCE AT DECEMBER 31, 1953 AS PREVIOUSLY REPORTED		$46,197,952
Transfer from reserve for possible future decline in market value of inventories		3,600,000
ADJUSTED BALANCE AT DECEMBER 31, 1953		$49,797,952
Net income for the period		6,533,777
		$56,331,729
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 796,875	
Common Shares ($2.00 per share)	3,887,526	4,684,401
BALANCE AT JANUARY 31, 1955		$51,647,328

NOTE:

In 1954 the Company discontinued the practice of charging or crediting to income an amount approximately equivalent to the effect of price changes since the beginning of the year upon its inventory valuation. Since in 1953 no charge or credit was required because prices remained stable during that year, the net income figures for the two periods are comparable in this respect. In connection with this change the balance in the Reserve for Possible Future Decline in Market Value of Inventories was transferred to Earned Surplus.

MARSHALL FIELD & COMPANY BALANCE SHEETS

ASSETS	January 31, 1955	December 31, 1953
CURRENT ASSETS:		
Cash	$ 10,120,239	$ 12,418,314
United States Government securities and other short-term investments, at cost	30,949,599	21,995,781
Receivables from customers and others, less reserves	21,346,281	28,078,722
Merchandise inventories, priced at the lower of cost or market	27,862,091	28,285,900
Prepaid insurance, supply inventories, etc.	1,492,303	1,821,203
Total Current Assets	$ 91,770,513	$ 92,599,920
FIXED ASSETS:		
Land, leaseholds, buildings and equipment, at cost	$ 77,127,256	$ 74,365,626
Less — Reserves for depreciation and amortization	24,365,970	22,660,030
Net Fixed Assets	$ 52,761,286	$ 51,705,596
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$144,531,800	$144,305,517

LIABILITIES	January 31, 1955	December 31, 1953
CURRENT LIABILITIES:		
Accounts payable	$ 5,467,614	$ 9,613,504
Accrued Federal income taxes	7,606,713	4,433,197
Other accrued liabilities	8,784,151	9,434,870
Total Current Liabilities	$ 21,858,478	$ 23,481,571
3¾% NOTES, maturing from 1972 to 1982	$ 30,000,000	$ 30,000,000
CAPITAL STOCK:		
Cumulative Preferred Shares— Authorized 300,000 shares of $100 par value, issuable in series—4¼% Series; redeemable at premiums per share of $6.50 through March 31, 1955, and $4.00 thereafter; issued and outstanding 150,000 shares	$ 15,000,000	$ 15,000,000
Common Shares— Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders; options have been granted for 49,375 shares at $29 per share; issued and outstanding 1,943,763 shares at stated value	16,818,815	16,818,815
AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE	9,207,179	9,207,179
EARNED SURPLUS ($28,000,000 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)	51,647,328	49,797,952
	$ 92,673,322	$ 90,823,946
	$144,531,800	$144,305,517

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1955, and the related statements of income and earned surplus for the thirteen months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1953.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of Marshall Field & Company as of January 31, 1955, and the results of its operations for the thirteen months then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 4, 1955

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.

John D Andersen
Vice President and Comptroller

March 17, 1955